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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 20, 1977

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*
KITTY SCHIRMER

SUBJECT

ENERGY SPEECH

This morning we gave Jim Fallows two suggested changes.

1. Standby gasoline tax

We suggest that you acknowledge that some growth in consumption will occur by 1980, and that significant reductions must be achieved after that to meet our 1985 goal. Unbeknownst to us until late last night, the trigger levels which the plan proposes are not at all geared to the 1985 national goal. For example, the trigger level for 1985 would be more than 400 million barrels over the level equal to a 10% reduction over current levels. If the trigger levels are adjusted to bring us into line with the national goal, the tax becomes almost inevitable in the years following 1980. Even a 2% margin in determining whether the tax will be applied doesn't help much, and anything higher than that percentage weakens the scheme considerably. We have discussed this with Jim Schlesinger, and he agrees that the best way to handle this is to fuzz it in the speech. The fact sheet will show only the first three years of consumption targets -- 1978, 1979, and 1980 -- and restates the 1985 goal.

2. Natural gas deregulation

Upon rereading the section which restates your commitment on natural gas deregulation by quoting from the Briscoe letter, we both had doubts whether you will just attract more criticism by using this reasoning. The first step you propose is exactly what the producers don't want, and we have no second step. I would like to talk with you about this matter.

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THE WHITE HOUSE
WASHINGTON

April 18, 1977

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT

Stu

SUBJECT CONVERSION FROM BARREL TO CUBIC MILES

There are 26.24 billion barrels in 1 cubic mile.

Current worldwide proven reserves are 600 billion barrels or 23 cubic miles.

The most optimistic geological estimates of petroleum reserves, past and present, is 2 trillion barrels or 76.2 cubic miles. We have already used 360 billion barrels of this or 13.7 cubic miles. Therefore the most optimistic geological assumption about remaining undiscovered reserves is 1640 billion barrels or 62.5 cubic miles.

$$\begin{array}{r} 360 \\ 60 \times 10^6 \\ \hline 21600 \\ 21^6 \times 10^9 \end{array}$$

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

April 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

CLS

SUBJECT: Economic Effects of the Energy Program

CEA has made an estimate of the overall economic effects of the Energy Plan as we now understand it. There is necessarily great uncertainty about such numerical estimates. They require making a number of judgment calls about how the public reacts to certain parts of the program.

1. Inflation effect:

Under existing laws and energy price controls, energy prices would be rising fairly sharply anyway. (About 3-1/2 to 4 percent a year faster than the general price level.) We have calculated the additional increase in the overall rate of inflation likely to arise from the energy program:



| | (percent) | | | | |
|--|---|------|------|------|-----------------------------|
| | Increase in the annual rate of inflation | | | | Total 4 year increase |
| | 1978 | 1979 | 1980 | 1981 | |
| Measures other than gasoline tax | +0.3 | +0.3 | +0.1 | +0.1 | 0.8 |
| Gasoline tax (if triggered every year) | 0 | +0.2 | +0.2 | +0.2 | 0.5 |
| Total | +0.3 | +0.5 | +0.3 | +0.3 | +1.3 |

The major elements which contribute to the rise are the wellhead tax on crude oil, the increase in natural gas prices, and the gasoline tax. The measure of inflation used in this table is the GNP deflator, which is a price index for all items that enter the GNP. The increase in the consumer price index would be somewhat larger, but we haven't yet completed that calculation. (The gasoline tax, for example, would add about 0.3 percent per year to consumer price inflation.)

On the average, over the four year period, the energy program would add about 0.2 percent per year to the overall rate of inflation if the gasoline tax is not triggered and 0.4 percent per year if it is. The average increase in the CPI would be somewhat larger.

2. Effects on the GNP

Jim Schlesinger's group has estimated large savings in energy consumption from the program, and therefore, large business and homeowner investments in energy conservation measures. If those investments occur, it will add to the growth of GNP by an average of 0.2 percent per year, over the next three to four years. The rate of unemployment would thereby be lowered by perhaps an additional 300,000 at the end of the period.

The Schlesinger estimates of energy conservation, and hence of private investment in conservation measures, assume that businessmen and consumers will make substantial changes in their attitudes towards saving energy, beyond those induced by the specific economic rewards and penalties incorporated in the energy legislation. CEA staff believe that if such changes in attitudes do not occur -- if consumers and businessmen respond to energy prices and incentives as they have in the past -- the energy savings will be significantly smaller. Investment expenditures will correspondingly be less, and so will be the stimulus to GNP and employment.

3. Problems and Imponderables

A. Will energy-related investment plans be substantially cut back during the period in which Congress is debating the program? We simply cannot answer that question -- but it is a danger.

B. We have not been able to calculate with any reliability the costs, and hence the price effects, of meeting the mandated standards for appliances, automobiles, insulation, and other capital goods.

C. We cannot estimate the possible psychological effects of the "gas guzzler" tax: will there be anticipatory buying of large autos, and what will the Blumenthal plan for dealing with rebates on imported cars do to price competition in the auto industry, and thereby auto prices?

D. Will the combined investment requirements for energy conservation and environmental standards divert substantial investment away from capacity-increasing projects, and indirectly raise inflation problems later?

Summary

On balance, the energy program will:

- (a) Cause a relatively small, but unwelcome, addition to inflation, at least in the short run.

- (b) Add moderately to the growth of GNP.
- (c) Possibly, but not certainly, lead to some temporary hesitations and disruptions.

Final Note:

We will continue to refine our estimates right up to the last minute. These numbers are for your guidance over the weekend.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

April 8, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charles Warren, Chairman *CLW*
Gus Speth
Marion Edey

Re: Energy Message

Earlier this week we gave you our preliminary thoughts on the energy message. This message, as you know, is of tremendous concern to the environmental community. We hope that the following additional thoughts on the energy message will be of assistance to you and Jim Schlesinger.

1. Conservation. Energy conservation must be the cornerstone of our national energy policy. Such a policy will give us the time needed to deploy energy technologies that are environmentally sound and sustainable.

We must use all means available to the Federal Government to induce conservation: energy efficiency regulations, market-oriented taxes and incentives, strong and ongoing Presidential persuasion, and substantially beefed up public education.

The message should seek stricter, mandatory energy efficiency standards for automobiles, appliances and buildings; mandatory energy efficiency labelling; and energy-oriented reform of transport regulations, mortgage loan practices and building codes.

We should adopt measures to allow market forces to work to encourage conservation. Remaining energy supply subsidies and price controls should be phased out. Additional measures include:

- o a strong Federal push on utility rate structure reform, including peak load and lifeline pricing policies;
- o a severance tax gradually assessed on a BTU basis on extraction of all non-renewable energy resources (oil, gas, coal, uranium);

- o strong incentives for development and application of industrial cogeneration of steam and electricity;
- o consumer tax incentives to encourage purchase of energy efficient automobiles, and to encourage conservation measures such as insulation, automatic thermostat controls and furnace efficiency modifications.

Centers should be widely established with heavy Federal support to provide technical assistance and information on improved energy use to all categories of consumers.

2. Data and Planning. The Government must improve its capability to project energy resource availability and demand, and the economic, social and environmental impacts of meeting the forecasted demand. Government should move toward greater development of its own data and interpretations rather than heavy reliance on industry sources.

3. Nuclear Power. Several measures which we endorse are necessary to ensure environmental support of the energy message if the message, as expected, calls for continued reliance on the present generation of nuclear reactors. First, the message's rejection of the "plutonium economy" should be unambiguous. This would mean no Federal support for the Barnwell, South Carolina, or other reprocessing facility and a severe reduction in the LMFB program, including a cancellation of the Clinch River Breeder Reactor project. Second, the message should continue to emphasize that nuclear power is the technology of last resort. And third, it should propose major programs to address radioactive waste management and reactor safety and siting.

4. Research and Development. Energy R&D priorities should be reoriented to provide the basis for a sustainable energy future based on safe and renewable energy, principally solar. New technologies to improve energy efficiency (e.g., advanced heat pumps, new engine types, MHD, fuel cells, use of H₂) should be developed on a priority basis.

5. General. Themes which should be stressed in the energy message:

- o energy supply development can and will be kept compatible with the protection of public health and environment (specific measures to assure this are being addressed in the environmental message);
- o economic and energy policies and programs should reflect the concept that energy growth and economic growth can be decoupled; a major objective should be maintaining full employment while at the same time reducing the historic rate of energy and electricity growth;

- o our policy should be to move away from large-scale, technologically demanding, highly centralized and risky energy technologies based on non-renewable resources, toward greater emphasis on decentralization and smaller scale and more appropriate technologies based on renewable resources,
6. Pitfalls to Avoid.
- o Don't subsidize or encourage water-intensive energy systems in regions where water is already scarce. This would apply especially to the development of large coal burning powerplants, synthetic fuels from coal and oil shale, and to coal slurry pipelines in arid regions of the West. A difficult trade-off between the energy and agricultural sectors should be avoided.
 - o Maintain EPA's research capability on the health and safety impacts of energy systems and control technologies. This is necessary for a balanced and credible regulatory program.
 - o Don't assume that you must weaken the Clean Air Act in order to facilitate the conversion of power plants from oil and gas to coal. This will require a policy that allows certain older facilities to burn oil and gas, particularly in urban areas, strong incentives for installation of control technology, and faster development and demonstration of advanced controls and combustion technologies.
 - o Don't subsidize economically and environmentally risky energy supply systems. ERDA should continue to work on the research and development of synthetic fuels, but the Federal Government should not subsidize commercialization.

PRESIDENTIAL GOALS

1. REDUCE ANNUAL GROWTH OF U.S. ENERGY DEMAND TO LESS THAN TWO PERCENT
2. CUT IN HALF THE SHARE OF U.S. ENERGY IMPORTED -- FROM ONE-QUARTER TO ONE-EIGHTH
3. REDUCE OIL IMPORTS FROM A POTENTIAL LEVEL OF 16 MILLION BARRELS A DAY TO LESS THAN 6 MILLION BARRELS
4. ACHIEVE A 10 PERCENT REDUCTION IN GASOLINE CONSUMPTION
5. INCREASE COAL PRODUCTION BY AT LEAST 400 MILLION TONS A YEAR
6. INSULATE U.S. RESIDENCES AND BUILDINGS
7. USE SOLAR ENERGY IN MORE THAN TWO AND A HALF MILLION HOMES

JIMMY CARTER

Leaders, for a change.

October 19, 1976

The Honorable Dolph Briscoe
Governor of Texas
Capitol Building
Austin, Texas 78711

Dear Governor Briscoe:

The formulation of a workable national energy policy implemented by a responsive, understandable governmental structure will be of highest priority in a Carter administration. If we are to reach our goals of full employment and a healthy, growing economy, we must reduce our dangerous dependence on foreign oil and we must develop our own domestic energy supplies. These resources must be produced and used in an environmentally acceptable manner at a cost that the consumer can afford to pay.

A sound energy policy must aggressively promote conservation of our scarce oil and gas resources. This is the only way in which we can hope to make ends meet in our energy budget. But, coupled with energy conservation, our policy must encourage additional production of our domestic reserves.

Eight years of Republican administration have failed to produce an energy policy. Demand for new energy supplies has increased by over 4% per year since 1969—even though demand was reduced considerably during the recession triggered by the Arab oil embargo. At the same time, domestic production and resources have decreased substantially, and dependence on foreign supplies has increased from 35% prior to the embargo to over 40% today.

To increase our domestic production, I have proposed three important steps.

First, I will work with the Congress, as the Ford administration has been unable to do, to deregulate new natural gas. The decontrol of producers prices for new natural gas would

The Honorable Dolph Briscoe
October 19, 1976
Page Two

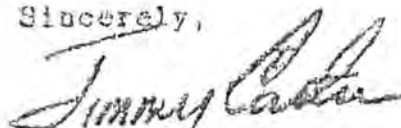
provide an incentive for new exploration and would help our nation's oil and gas operators attract needed capital. Deregulation of new gas would encourage sales in the interstate market and help lessen the prospect of shortages in the non-producing states which rely on interstate supplies. While encouraging new production, this proposal will protect the consumer against sudden, sharp increases in the average price of natural gas.

Second, I believe we should act to encourage enhanced recovery from wells already in production. As you well know, an average of 60% of our oil remains in the ground after standard recovery methods have been exhausted. It is estimated that up to 60 billion barrels of crude could be added to our supply if enhanced recovery techniques are used. Since the environmental costs have already been largely paid on these resources, both consumers and producers alike benefit from development of this resource.

Third, I favor a substantial shift from the use of oil and gas—our highest quality energy sources—to coal, which we have in abundance. We must immediately begin a program to encourage conversion from the use of petroleum and natural gas to coal in those applications for which coal is an acceptable substitute. Our present demand for coal is limited by two important factors. First, we have geared our technological growth to oil and gas for well over 100 years. Second, we have failed to establish a stable regulatory climate in which coal producers are sure of the rules of the game before they make investments in expanded production or new mines. Switching to the use of coal will require strong presidential leadership and proper federal incentives to encourage the conversion process. A Carter Administration will provide this leadership.

I hope these policy recommendations will help to put my views on the supply aspects of the energy problem into focus. Without a strong commitment to increasing our domestic production, while maintaining basic environmental principles, we cannot hope to reverse the unhealthy trends which the lack of leadership of the current administration has produced.

Sincerely,



Jimmy Carter

STATEMENT OF JIMMY CARTER ON THE PORTSMOUTH URANIUM ENRICHMENT FACILITY

I have long supported full authorization and funding for enlargement of the government-owned uranium enrichment facility at Portsmouth, Ohio. If I am elected, I will ask the Congress on a first priority basis to provide for the full \$255 million in funding for the FY 1977 phase of this construction. Furthermore, my request for these funds will not be held hostage to the highly controversial and fundamentally unsound Ford proposal for private ownership of uranium enrichment facilities. The President's proposal for an \$8 billion subsidy to multinational corporations to encourage their entry into the uranium enrichment business has delayed congressional action on Portsmouth throughout the past year.

I believe that technology as sensitive as nuclear fuel enrichment should remain under government control and ownership. The United States must once again become a reliable supplier of the fuel for peaceful atomic power reactors, and enlargement of Portsmouth is vital in regaining this position. Our uranium enrichment capacity has fallen short and we have been unable to accept new orders for nuclear fuel for over two years. We must proceed promptly with enlargement of the Portsmouth facility, and you can depend on me to provide the leadership needed to ensure full funding for this important program.

My fellow Americans, ours has been a fortunate land. It has been blessed with a broad expanse and bountiful resources. By coming together as a united people, we have in the past triumphed over sectional differences and economic difficulties. Once again we face a challenge. We shall now have to pass through a new and difficult transition. But like past challenges, it will draw forth the pioneering instincts and the technical abilities of the American people. In the long sweep of history this is but a brief moment, though a difficult one. If it will summon forth our ingenuity and our pioneering impulse, we shall triumph successfully over these new difficulties, as we have over past difficulties. We must do so -- to ensure that our children and grandchildren will also enjoy the bounties of this magnificent land.

4/19/77
1:30 p.m.

MR. PRESIDENT, MR. SPEAKER, MEMBERS OF THE CONGRESS

The last time we met as a group was three months ago, on Inauguration Day. In those three months we have begun our work as partners in addressing our nation's problems.

In the months ahead, we must work together even more closely, for we have the responsibility of dealing with the greatest domestic challenge our nation will face in our lifetimes. We must act now--together--to implement a comprehensive national energy plan which will help us prepare to cope with an energy crisis that otherwise could overwhelm us.

The heart of our energy problem is that our demand for fuel keeps rising more quickly than our production can.

(Know problems) 4 Oil and natural gas make up 75 per cent of our consumption in this country, but they represent only 7 per cent

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of our reserves. Our demand for energy keeps rising by more than 3 per cent each year, but domestic production has been falling by about 6 per cent. Our imports of oil have risen--making us more vulnerable to interruption of supply--but ^{early} sometime in the 1980s even foreign oil will become scarce. We could continue to ignore this problem for a while--but to do so would subject ourselves, and our children, to a catastrophe not far in the future.

That is why my administration has been working on a comprehensive national energy plan. Your advice has been an important influence as our plan has taken shape. Many of our proposals build on legislative efforts you have made before.

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[We face, together, a challenge that will require the best of us--to plan ahead and make sacrifices for the well-being of our nation.] This is a unique moment in our nation's history. We, as elected officials, must act on a range of issues--*fiscal management, reorganizing* ~~balancing the budget, reforming the~~ *welfare and tax reform,* government, and above all developing an energy policy--which require unusual vision and purpose. I have faith that as partners we will succeed.

I spoke
Two nights ago, ~~in my address~~ to the American people, *about* ~~I discussed~~ the principles behind our plan. I also listed our specific goals for 1985; ~~which were:~~

-- to reduce the annual growth rate in our energy demand to less than 2 per cent;

-- to reduce gasoline consumption by 10 per cent below its current level;

-- to cut demand for foreign oil to 6 million barrels a day, less than half the level it would be if we did not conserve;

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- to establish a strategic petroleum reserve of one billion barrels, more than a six months' supply;
- to increase our coal production by more than two thirds, to one billion tons a year;
- to insulate 90 per cent of American homes and all new buildings;
- to use solar energy in more than two and a half million homes.

Tonight I want to outline the specific steps we propose to reach those goals. The proposals fall into four categories, reflecting our four central strategies. They are:

- conservation
- production
- conversion
- development.

Running through all of the proposals is an additional strategy, that of ~~fairness~~ equity to the American public.

We prefer to reach these goals through cooperation among our people, with a minimum of coercion and interference. In each area we suggest how the government can set a positive example and lead the way.

In many other cases, we propose financial incentives, which will encourage people to save energy and will harness the power of our free economy to accomplish our goals.

In a few restricted cases, we believe that penalties and restrictions are essential. This is a balanced mixture of measures--some voluntary, some backed by incentives, some mandatory--which we believe will be effective and fair.

I. Conservation

Our first goal is conservation. It is the cheapest, most practical way to reduce pressure on our energy supplies. It is the only way we can reduce our growing vulnerability to foreign supplies of oil.

Conservation will require a change in our attitudes, and a new awareness of how precious our energy is. But in most cases it will simply mean reducing waste, rather than making major adjustments in our way of life. Two of the areas where we waste the most energy--and where we can most easily save--are transportation and our heating and cooling systems.

Transportation consumes _____ per cent of our energy--and at least _____ percent of that is waste. An important step toward reducing waste is to produce more efficient cars and ~~encourage our people~~ to use them.

The Congress has already adopted fuel efficiency standards, which will require new cars to average _____ miles per gallon by 198__ instead of the _____ they average today.

I believe these standards ^(can and) should be tightened further for 1986 and 1987, to _____ miles per gallon.

To give our people an incentive ^{to comply with the existing Congressional mandate} to buy more efficient cars and industry an incentive to develop them--I am also proposing a graduated excise tax on new cars that do not meet federal mileage standards. The tax would start low and then rise each year until 1985. In 1978, a car that fell 3 miles per gallon below the standard would bear a tax of \$ _____. At 7 miles per gallon below the standards, the tax would be \$ _____. By 1985, the taxes would have risen to \$ _____ for a car 3 miles per gallon below the standard, and \$ _____ for 7 miles per gallon below.

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All of the money collected by this tax would be returned to consumers, in the form of rebates on cars that were more efficient than the mileage standard. There would be special provisions in the tax to ensure that we do not discriminate against American-made cars.

Making cars more efficient will be an important step. But we must still change the way our cars are used--eliminating wasteful trips, encouraging car pooling, and finding other ways to be sure that we only use gasoline when we need to.

Whenever possible, we will rely on voluntary steps toward this end. The Federal government will set an example by pooling its use of cars and vans.

If we as a nation are serious about conservation,
[and may God help us if we are not,] we must clearly demonstrate

that commitment. I know of no better way to do this than to set goals for our society and at the same time establish penalties to be paid if we fail to live up to those goals.

Between now and 1980 we can and should hold gasoline consumption at the present level. *following* *no increase until 1980 then reduce* *For the next five years,* *no* *to reach* we need to reduce consumption 2 per cent per year each for *our goal of a 10% reduction by 1985.* ~~a total reduction of 10 per cent below present levels.~~

(must)
~~I propose that we~~ *we* commit ourselves to these fair, reasonable and necessary goals. ~~And if we really mean it,~~
I propose that we at the same time write into law a gas tax of 5 cents per gallon that will automatically take effect following any year that we fail to meet those goals.

[Let us say to the world that America is ready and able to meet the challenge of energy.

Let us say to one another--"your wasteful habits are going to cost me money--slow it down, turn it down and knock it off."

As with other taxes, we must minimize the adverse effects on our economy--reward those who conserve--and penalize those who waste. Therefore I am also proposing that the proceeds from the tax, if triggered, and if we are responsible it will not be triggered--be returned to the public through direct per-capita payments.

I will also propose a variety of other measures to make our transportation system more efficient, including:

(a) improving the EPA testing program, so that its ^{performance} mileage estimates are much closer to the mileage drivers actually get on the road;

(b) setting efficiency standards for light duty trucks, up to 10,000 pounds;

(c) ^{buying more efficient} ~~increasing the efficiency of~~ vehicles the government ~~buys and uses~~; 17

(d) ^{abolishing federal} ~~ending~~ the excise tax on inter-city buses;

(e) increasing the tax on fuel for all planes ^{other than} ~~besides~~ commercial carriers and air-taxis.

One of the side effects of conserving gasoline is that state governments collect less money through gasoline taxes.

To reduce the hardships on the state, we will ~~make provisions to~~ ^{through} compensate for this loss ~~from other~~ sources, ^{maintenance}

such as the Highway Trust Fund, ^{to insure adequate} ~~highway maintenance~~.

The second major area where we can reduce waste is in our homes and buildings. Some buildings lose half the energy used for heating and cooling as waste. From now on, we must make sure that new buildings are as efficient as possible, and that old buildings are equipped -- or "retrofitted" -- with insulation and heating systems that dramatically reduce the use of fuel.

The federal government will set an example in this area by making its own buildings among the most efficient in the country. Soon I will issue an Executive Order establishing strict conservation goals for both new and old federal buildings. *I will direct* ~~By 1985, there should be~~ a 45 per cent increase in energy efficiency for new buildings, and a 25 per cent increase for existing buildings *by 1985.*

We also need ~~Our plan also includes a number of~~ incentives to *those who own homes and businesses* help ~~homeowners and businessmen~~ invest in conservation.

Families who ^{wish} ~~wanted~~ to weatherize their houses ^{would} ~~would~~ have two choices.

If they preferred to do the work themselves or ^(+ their own) arrange for contractors and supplies, they would be eligible for a tax credit of 25 per cent of the first \$800 invested in conservation, and 15 per cent of the next \$1400.

If they preferred, they could take advantage of a weatherization service which all regulated utilities will be required to offer. The utilities would arrange for the contractors, recommend the proper steps, and provide reasonable financing. All the customer would have to do is agree to the service and pay for the improvements through small, regular additions to ^(utilities) his monthly bills. In many cases, these additional charges would be almost entirely offset by lower consumption brought about by the insulation.

Some of our other proposals for conservation in homes and buildings include:

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-- a variety of measures to make it easier for consumers to get loans for conservation measures;

-- direct federal help for low-income residents who want to weatherize their homes, as well as a program for weatherizing rural homes.

-- a 10 per cent tax credit for business investments in approved conservation measures.

-- a 50-50 federal grant program to help non-profit institutions, such as schools and hospitals, with weatherization projects.

-- ~~including~~ money for weatherizing state and local government buildings in the Local Public Works program.

While improving the efficiency of our businesses and homes, we should also make the appliances inside the home more efficient. I propose legislation that would, for the first time, establish stringent efficiency

standards for household appliances by 1980.

Such standards are common in almost every other industrialized nation in the world. We can no longer afford to do without them.

If we are serious about conserving energy, we must also reform our utility rate structure. For many years we have rewarded waste by offering the cheapest rates to the largest users. It is difficult for individual states to make such reforms because of the competition among states for new energy. The only fair way is for the federal government to shoulder this responsibility.

I am therefore proposing legislation which would require ~~state utility commissions to take~~ the following steps over the next two years:

- phasing out promotional rates, declining block rates, and other pricing systems that make natural gas and electricity artificially cheap for high-volume users and which do not accurately reflect costs.

- requiring electric utilities to establish peak-load pricing systems, which will charge consumers most when demand is greatest and least when it is small.

-- requiring new apartment buildings to have individual meters for each apartment, instead of one master meter.

One final step toward conservation is to encourage industries and utilities to expand "co~~x~~generation" projects, which capture much of the steam that is now wasted in electric generators.

I propose that we offer a 10 per cent tax credit for investments in cogeneration. To set the proper example, I propose that the federal government launch a cogeneration program at its ^{Union} enrichment plant^s in Tennessee, Kentucky, and Ohio, plus the nuclear facility in South Carolina.

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II. Production

After conservation, our second major strategy is production.

We can never increase our production of oil and natural gas by enough to meet our demand, but we must be sure that our pricing system is sensible, and does not artificially discourage exploration and production.

One of the principles of our energy policy is that the price of energy should reflect its true replacement cost. That is one of the best ways to bring supply and demand into balance over the long run. Realistic pricing is especially important for our scarcest fuels, oil and natural gas.

I propose that the oil price control program should be extended and changed. Under this system, the price of newly discovered oil would be allowed to rise, over a

3-year period, to the 1977 world market price, with allowances for inflation. The current price limits for previously discovered oil--\$5.25 and \$11.28--would remain the same, except for adjustments because of inflation.

Because equity is an essential strategy of our energy program, we do not want to give producers windfall profits, beyond the incentives they need for exploration and production.

Therefore I propose that we subject all domestic oil to a wellhead tax, equal to the difference between the controlled price of oil and the world price. All the money collected by this tax would be returned to the consumers and workers of America, through increased tax credits and decreased withholding. These credits will have a progressive effect and will give the greatest help to consumers who have the most difficulty coping with higher energy prices.

As I said many times during the last year, I want to work with the Congress to deregulate the price of new natural gas. Deregulation would provide an incentive for new exploration. Decontrol of producers prices for new gas would provide an incentive for new exploration and would help our nation's oil and gas operators attract needed capital.

It would also end the artificial distortions in natural gas prices in different parts of the country. Because of the difference between intra- and inter-state prices, people in some Southern states pay exorbitant prices, while shortages of natural gas have created unemployment and economic stagnation particularly in the Northeast. Only 19 per cent of new gas discovered has gone into the inter-state market, largely because producers had no incentive to send it there.

As a first step,

I propose, therefore, that the price limit for new gas, within producing states or that

sold anywhere in the country, should be set at the price of the BTU equivalent of domestic crude oil. That would mean a price limit of about \$1.75 per mcf in 1978. This proposal would apply both to new gas and to expiring intra-state contracts. It would not affect existing intra-state contracts, nor extremely hard-to-find gas.

III. Conservation

Conservation

Our production and conservation strategies will help guard our precious fuels. We estimate that they will save _____ million barrels of oil equivalent by 198__.

But we must ~~do more~~ to be sure that oil and natural gas are not wasted by industries and utilities that could also use coal. Our third strategy will be conversion from scarce fuels to coal whenever possible.

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Coal is our most abundant resource, making up 90 per cent of our reserves. Its production and use create environmental difficulties, but we can cope with them through stringent strip-mining and clean air regulations.

^{To}
~~We could~~ increase the use of coal by _____ tons,
or _____ per cent, in industry and utilities by 198__.

~~To make sure that we do so,~~ I propose the following measures:

-- a rising tax, starting in 1979, on industrial use of natural gas. In 1980 the tax would be 30 cents above the BTU equivalent of the controlled price of domestic oil. By 1985, the tax would be 75 cents. Fertilizer manufacturers and crop dryers will be exempt from the tax.

*Long
difficult?*

-- a similar tax on industrial use of oil. The tax would rise from \$1.20 per barrel in 1979 to \$2.70 per barrel in 1985. Utilities would be subject to these taxes starting in 1983, because it will take them longer to convert to coal.

I will also submit proposals for expanded research and development in coal. We need to find better ways to mine it safely and burn it cleanly, and to use it to produce clean energy sources, such as low BTU gas.

Even with this conversion effort, we will still face a gap--between the energy we need and the energy we can produce and import. To fill this gap, we will have to use nuclear energy.

Like any other energy source, nuclear energy carries risks. But there are two very different kinds of risks involved. The most serious are those of the "plutonium economy"--breeder reactors and reprocessing plants--which can be misused. This administration will not fund commercial-
ization of the breeder.

7
submit
very hard

But we will support use of light water reactors, with strict siting rules and safety standards to remove every

possible risk.

We must also reform the nuclear licensing procedure, which now irritates nearly everyone involved. Even with the most thorough safeguards, it should not take ten years to license a plant. I propose that we establish reasonable, objective criteria for licensing, and that plants which are based on a standard design not require ^{extensive} individual licenses ^{any}.

IV. Development

We know the task we face for the next ten or twenty years: we must use the fuels we have, and conserve where we can. But one generation from now, and through the next century, we face a new challenge and a new opportunity-- the challenge of developing permanent, reliable energy sources, and the opportunity of using them. Developing these sources is our fourth strategy.

The most promising renewable energy source is solar energy, for which much of the technology is already available. Solar hot water heaters and space heaters are nearly ready for commercialization. All they need is a temporary incentive to stimulate the growth of a large market.

Therefore, I am proposing a tax credit, which would run from now through 1984, for approved solar heating equipment installed in homes. It would be 40 per cent of the first \$1000 and 25 per cent of the next \$6400 invested. The credit program would last for six years and would decline gradually.

There are a variety of other steps I will propose to make permanent energy sources more practical and effective:

-- federal support for loans and mortgage extensions to finance solar heating systems

-- tax incentives for development of geothermal power

-- a five year effort, ~~costing~~ \$200 million to install solar systems in many federal buildings

-- more extensive research and development into permanent energy sources. I propose that we create an Office of Small Scale Technologies to fund small, creative projects and support individual inventors and entrepreneurs.

V. Equity

Our guiding principle, as we developed this plan, was that above all it must be fair.

None of our people must make an unfair sacrifice.

None should reap an unfair benefit.

The desire for equity is reflected throughout our proposals:

-- in the wellhead tax, which encourages conservation but is returned to the public;

-- in a dollar-for-dollar refund of the tax on home heating oil

-- in reducing the inequity of natural gas pricing, which had set region against region

-- in ensuring that homes will have the natural gas they need, while industry turns toward the more abundant coal that can also suit its needs

-- in basing utility prices on true cost, so every user pays his way

-- in the automobile tax and rebate system, which rewards those who save our energy and penalizes those who choose to ^{waste} use more of it.

I propose one other step to emphasize the equity of our plan. We need better information about our supplies of energy, and about the companies that produce it.

If we are asking sacrifices of ourselves, we need facts we can count on. This plan will propose an independent information system that will give us the accurate, reliable data we need about energy reserves and production, emergency capabilities, and financial data from the energy producers.

We must be sure the energy business is subject to healthy, genuine competition. I am concerned about the increasing share of all energy sources owned by the oil and gas companies. I will ask the Attorney General and, when his position is created, the Secretary of Energy to study the situation and see if it has anti-competitive results. Wherever we find that the forces of competition have been thwarted, the Justice Department will act.

We must make it clear to everyone in this country that the people, through their government are setting our energy policy--and not the energy companies.

(space)

(ending 1)

In our first century as a nation we established the constitutional and political framework for a great republic. In our second century we built an economic and industrial system that is still unequaled in the world. I tell you that in our third century our challenge will be energy. Unless we meet that challenge, the very survival of our political institutions and our economic system will be threatened.

The Bicentennial is over. Let us look toward the Tricentennial when all of us will be gone from this earth. Let us look and know that we can even now begin to determine whether that 300th birthday ^{will}~~can~~ be celebrated in freedom and prosperity.

We can mortgage our birthright to waste, selfishness and irresponsibility or we can renew and add to it. We can earn the respect and gratitude of our grandchildren and their children or we can earn their scorn.

The decision is ours.

#

(ending 2)

Two nights ago, I said that this difficult effort would be the moral equivalent of war. It will demand the best of us--our vision, our selflessness, our willingness to cooperate and bear burdens.

But we have met challenges before, and our nation has been the stronger for it. That is the responsibility we face together now--you in the Congress, the members of my administration, and all the people of our country. Let us begin.

#

Profiteering through tax shelters
should be prevented, and independent
drivers should have the same tangible
tax credits as are now enjoyed
by the major corporations.

The energy industry should not reap
large unearned profits. as prices
~~inevitably rise.~~ Returns from in-
creasing prices should be captured
by the government for the people
of our country.

With proper planning economic growth
and enhanced job opportunities can
result even while we eliminate the
waste of energy.

During this time of increasing scarcity, competition ~~must be~~ within ~~the~~ among energy producers and distributors must be guaranteed. In order to avoid the necessity for vertical and horizontal investment, it is recommended that separate accounting be required, ~~by energy~~ for operations including production, refining, distribution, sales, and domestic and foreign operations for each major energy component. Strict enforcement of anti-trust laws based on this data can prevent the need for vertical and horizontal investment.

We have spent billions on research and development of nuclear power, but very little on cost. Investments here ~~can~~ pay rich dividends.

We now have 63 nuclear power plants, producing about 1% of our total energy. Domestic uranium supplies can support at least 300 such plants for 30 years. There is no need to enter the plutonium age by ~~no need to~~ licensing or building a commercial fast breeder reactor in the foreseeable future.

We must, however, increase our capacity to produce enriched uranium

for our light water ^{nuclear power} plants. The new centrifuge technology, ~~can now be~~ used which uses $1/10$ the energy of existing gaseous diffusion plants, ~~can~~ ^{will} now be built.

= Adequate storage ^{for spent nuclear fuel} will also be provided.

= I request authority to reduce production of oil from naval reserve storage, and to remove ^{federal subsidies and} limits on the importation of liquid natural gas.

= We also need authority in a time of national emergency to impose fuel rationing and to implement other contingency plans.

618-5
C-P-19
We must not permit ~~the~~ energy shortages to balkanize our nation.

D-P-6
In Europe the average automobile weighs 2700 ~~lbs~~ pounds; in our country it ~~weighs~~ weighs 4100 lbs

In Germany 29% of total energy comes from cogeneration, but only 4% in the United States

We have already begun plans for the TVA system to act as a ^{grant} model for innovation in implementing new programs to conserve energy.

A - Page 3

This is a sobering and difficult presentation, and I don't expect applause. During the last three months I have come to realize, ^{very clearly} ~~why my predecessors~~ have not evolved a comprehensive energy policy, ^{has not already been evolved.} It is a thankless job, but we have ~~an adequate~~ and a fair, well balanced and effective plan to present to you tonight.

B - PZ

Our trade deficits are growing, caused by importing, caused by importing more than \$35 billion worth of oil last year. We will buy \$10 billion more this year.

Increased ^{production} ~~use~~ of geothermal energy
can be insured by providing the same
tax incentives as for gas and oil
drilling operations.

=
In order to implement this policy,
the new Department of Energy should
be established without delay. ~~The~~
Continued fragmentation of government
authority and responsibility for
our nation's energy program is
dangerous and unnecessary.

=
I hope that the Congress will
adopt these goals by joint resolution
as a demonstration of our mutual
commitment to achieve them.

THE WHITE HOUSE
WASHINGTON

Mr. President--

Jim Schlesinger had two more suggestions:

1) Sen. Percy called him to suggest a mention of the Alliance to Save Energy. Jim suggested it near the end, with the talk about cooperation.

2) Today is the 202nd anniversary of Lexington and Concord. There might be some patriotic note to strike there.

Jim Fallars

*Mr. President... f.y.i... today is
also the 16th anniversary of
The Bay of Pigs (Porgie us (Jim
& me) on this one!)*

THE WHITE HOUSE
WASHINGTON

April 18, 1977

Mr. President--

Here is a very quick re-drafting of the substantive proposals from Jim Schlesinger's associates. I definitely plan to work on the wording this afternoon and tonight.

At Schlesinger's suggestion, I have left out all discussion of the breeder reactor and reprocessing facilities. I will welcome suggestions about what other points to include or omit.

Jim Fallows

a) → deregulation of new
b) Ind/coop same on in large, etc.
c) Leave 2.1 / in 9 removed
drilling tax

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for Preservation Purposes

4/18/77

MR. PRESIDENT, MR. SPEAKER, MEMBERS OF THE CONGRESS

The last time we met as a group was three months ago, on Inauguration Day. In those three months we have begun our work as partners in addressing our nation's problems.

In the months ahead, we must work together even more closely, for we have the responsibility of dealing with the greatest domestic challenge our nation will face in our lifetimes. We must act now--together--to develop a comprehensive national energy plan, which will balance our nation's demand for energy with our shrinking supplies.

Your advice has been an important influence as our plan has taken shape. Many of our proposals will build on legislative efforts you have made before. To succeed in solving our energy problems, all our people must cooperate--and cooperation should begin between the President and the Congress.

Two nights ago, I discussed with the American people the ten principles behind our plan--comprehensiveness, fairness, economic growth, environmental protections, conservation, predictability, sensible pricing, reduced vulnerability, a shift in our energy supplies, and new supplies for the future.

Tonight I want to explain to you some of the major specific proposals in our plan. In the next few days we will present the complete report which more fully explains our approach, and members of my administration will confer with you extensively to answer any questions I cannot cover tonight.

The proposals in the energy plan fall into three main categories, to accomplish these three goals,

first, for the short term, reducing our vulnerability to embargoes and interruptions in supplies of foreign oil.

second, in the next eight to ten years, switching our industries and utilities from scarce supplies of oil and natural gas to more abundant sources, such as coal and, where necessary, nuclear power.

third, in the long run, developing permanent, renewable energy supplies.

These efforts will require changes in both our demand for energy--which we must reduce through conservation and greater efficiency--and in our sources of supply.

Let me speak first about conservation.

Our conservation efforts must cover every sector of energy use--transportation, industry, and home heating especially. Saving fuel will require some individual sacrifices. But we can reduce energy waste most effectively,

with the least individual hardship, by changing the technology of our cars, our heating systems, and our factories and utilities, so that they consume less fuel.

Transportation has been one of our most wasteful areas, and one where the opportunities for savings are greatest. The Congress has already adopted fuel-efficiency standards, which will require new cars to average _____ miles per gallon in 198__, instead of the _____ they average today.

I believe these standards should be tightened further for 1986 and 1987, to _____ miles.

To encourage our people to buy more efficient cars-- and to give industry a greater economic incentive to develop and produce them--I am also proposing a graduated excise tax on new cars that do not meet federal mileage standards.

*informal 1/87
copy to 11*

The tax would start low and then rise each year until 1985.

In 1978, a car that fell 3 miles per gallon below the standard would bear a tax of \$ _____. At 7 miles per gallon below the standards, the tax would be \$ _____.

By 1985, the taxes would have risen to \$ _____ for a car 3 miles per gallon below the standard, and \$ _____ for 7 miles per gallon below.

All of the money collected by this tax would be returned to consumers, in the form of rebates on cars that were more efficient than the mileage standard. There would be special provisions in the tax to ensure that we do not discriminate against American-made cars.

Making cars more efficient will be an important step. But we must still change the way our cars are used--eliminating wasteful trips, encouraging car pooling, and finding other ways to be sure that we only use gasoline when we need to.

Wherever possible, we will rely on voluntary steps toward this end. The Federal government will set an example by pooling its use of cars and vans.

But we must re-inforce our voluntary efforts with firmer incentives. I am, therefore, proposing a stand-by tax on gasoline, which would be applied only if we fall short of our goals in gasoline conservation.

Our goal between now and 1980 is to hold consumption constant. From 1980 to 1985, we want to reduce gasoline consumption by two per cent a year, so that total consumption in 1985 is 10 per cent less than it is today.

If everyone cooperates, I am sure we can reach these goals. But if we do not reach our goal in a certain year, there will be a 5 cent per gallon tax on gasoline in the following year to encourage further conservation. The taxes will be cumulative; if we fall short five years in a row,

there will be a total extra tax of twenty five cents per gallon.

The purpose of this tax is not to raise money for the Treasury, nor to have an over-all inflationary effect. Therefore, all the money collected through this tax will be returned to the public, through equal per-capita payments to all our people.

This will help middle- and low-income taxpayers most, since many of them will receive more money through the rebate than they pay in gasoline taxes.

There are other measures I will propose to make our transportation system much more efficient:

-- improving the EPA testing program, so that its mileage estimates are much closer to drivers' actual mileage;

-- setting efficiency standards for light duty trucks, up to 10,000 pounds;

-- increasing the efficiency of vehicles the government buys and uses;

-- ending the excise tax on inter-city buses,

-- increasing the tax on fuel for all planes besides commercial carriers and air-taxis.

The second major area where we can reduce waste is in our homes and buildings. Half the energy that now heats and cools our homes is simply lost as waste. From now on, we must make sure that new buildings are as efficient as possible, and that old buildings are equipped with insulation and heating systems that dramatically reduce the use of fuel.

To encourage homeowners and businesses to take the steps, I am proposing the following measures:

-- a tax credit for all homeowners who invest in conservation. The tax credit would be 25 per cent of the first \$800 and 15 per cent of the next ^{\$}14~~00~~ spent on approved conservation measures from now until December 31, 1984.

-- a requirement that all regulated utilities offer their customers a comprehensive "weatherizing" service. The utilities would arrange the contractors, recommend the proper steps, and provide reasonable financing; all the customer would have to do is agree to the service. The customer would then pay for these improvements through small, regular additions to his monthly bills.

-- a variety of measures to make it easier for consumers to get loans for conservation measures;

-- direct federal help for low-income residents who want to weatherize their homes, as well as a program for weatherizing rural homes.

-- a 10 per cent tax credit for business investments in approved conservation measures.

-- a 50-50 federal grant program to help non-profit institutions, such as schools and hospitals, with weatherization projects.

-- including money for weatherizing state and local government buildings in the Local Public Works program.

The federal government should also set an example by making its own buildings among the most efficient in the country. I have issued an Executive Order which establishes higher performance goals for both new and old federal buildings.

While improving the efficiency of our businesses and homes, we should also make the appliances inside ^{/ the home} more efficient. I propose legislation that would establish more stringent efficiency standards for household appliances by 1980.

A third way to encourage conservation is by altering our utility rate structures. For many years, utility rates have thwarted conservation by offering the largest discounts to the largest consumers. I am proposing federal legislation which, over the next two years, would require state utility commission to take the following steps:

- phasing out a variety of promotional rates that make energy artificially cheap for high-volume users;

- offering consumers interruptible service, at cut rates;

- eliminating summer discount rates on natural gas, except where they reflect a genuine savings in storage costs;

-- requiring new apartment buildings to have individual meters for each apartment, instead of one master meter;

-- requiring that rates for interruptible service of natural gas be no lower than the lowest firm rate for summer service;

-- forbidding utilities to discriminate against solar energy and other alternative power sources.

We should also encourage utilities and industries to expand "cogeneration" projects in which both steam and electricity are produced at the same time. I propose that we offer a 10 per cent tax credit for investments in cogeneration. To set the proper example, I propose that the federal government launch a cogeneration program at its enrichment plants in Tennessee, Kentucky, and Ohio, plus the nuclear facility in South Carolina.

These are the efforts that will directly affect consumption. Now I would like to discuss some of our proposals which

will affect our supply of energy.

One of the principles of our energy policy is that the price of energy should reflect its true replacement cost. That is one of the best ways to bring supply and demand into balance over the long run. Sensible pricing is especially important for oil and natural gas, which make up 75 per cent of our energy consumption -- and are especially valuable for transportation and home heating -- but represent only 7 per cent of our reserves.

I propose that we move in the direction of deregulation by changing our philosophy of price controls. Before, prices have been based on historic costs of producing energy. From now on, I propose that they should reflect the increasing scarcity of these fuels, and the rising cost of producing them.

Under this system, the price of newly discovered oil would be allowed to rise, over a 3-year period, to the 1977 world market price, with allowances for inflation. The current

price limits for previously-discovered oil -- \$5.25 and \$11.28 -- would be allowed to rise at the general rate of price increases, subject to Congressional refusal. Tertiary recovery from oil fields would be eligible for the world price.

Because of unrealistic regulatory policies, the price of inter-state natural gas has been held below the price of oil with a similar BTU value. I propose that the price limit for new gas, sold anywhere in the country, should be the same as the price of BTU equivalent domestic crude oil. That would mean a price limit of about \$1.75 per million cubic feet in 1978. I also request legislation which would place a cap on the price of intra-state gas, thereby removing the price difference between intra- and inter-state gas which has produced regional tensions and economic distortions.

This proposal would apply to new gas only; it would not affect existing intra-state contracts.

Our pricing proposals reflect a balance of needs. We want to encourage conservation, by pricing fuels to reflect their true scarcity. But at the same time we do not want to give windfall profits to energy producers, beyond the incentive needed for exploration and production.

To balance these two goals, I propose that we subject all domestic oil to a wellhead tax, equal to the difference between the controlled price of oil and the world price. All the money collected by this tax would be returned to the economy, through reductions in the payroll tax and direct payments to those who are not part of the payroll tax system. These rebates will have a progressive effect, and will give the greatest help to consumers who have the most difficulty coping with higher energy prices.

This pricing policy should sustain supply and reduce demand; we believe it will save _____ million barrels of oil equivalent by 198_. But that will not be enough to protect scarce oil and natural gas from over-use in industry and

utilities that could also use coal.

Coal is our most abundant resource; and, though its production and use create environmental difficulties, we can cope with them through stringent strip-mining and clean air regulations.

We could increase the use of coal by _____ tons, or _____ per cent, in industry and utilities by 198_. To make sure that we do so, I propose the following measures:

-- a rising tax, starting in 1979, on industrial use of natural gas. In 1980 the tax would be 30 cents above the BTU equivalent of the controlled price of domestic oil. By 1985, the tax would be 75 cents. Fertilizer manufacturers and crop dryers will be exempt from the tax.

-- a similar tax on industrial use of oil. The tax would rise from \$1.20 per barrel in 1979 to \$2.70 per barrel in 1985. Utilities would be subject to these taxes starting in 1983, because it will take them longer to convert to coal.

I will also submit proposals for expanded research and development in coal. We need to find better ways to mine it safely and burn it cleanly, and to use it to produce clean energy sources, such as low BTU gas.

I have said many times that we should use nuclear energy only as a last resort -- and then only with strict safety regulations. Now I am convinced that our energy crisis requires some limited use of nuclear energy -- and that we can do so with great safety.

I propose a reform in the nuclear licensing process, so that necessary plants can be built in a reasonable amount of time, and under safeguards imposed by the Nuclear Regulatory Commission.

Finally, I want to describe my proposals for the next century, when most of us here will no longer be living but our children and grandchildren will. Then, when conventional sources of energy are exhausted, our goal must be to rely on permanent, renewable supplies.

The most promising renewable energy source is solar energy, for which much of the technology is already available. Solar hot water heaters and space heaters are nearly ready for commercialization. All they need is a temporary incentive to stimulate the growth of a large market.

Therefore, I am proposing a tax credit, which would run from now through 1984, for approved solar heating equipment installed in homes. It would be 40 per cent of the first \$1000 and 25 per cent of the next \$6400 invested. The credit program would last for six years and would decline gradually.

There are a variety of other steps I will propose to make permanent energy sources more practical and effective:

- federal support for loans and mortgage extensions to finance solar heating systems

- tax incentives for development of geothermal power

- a five year effort, costing \$200 million, to install solar systems in many federal buildings

- more extensive research and development into permanent energy sources. I propose that we create an Office of Small Scale Technologies to fund small, creative projects and support individual inventors and entrepreneurs.

I believe these steps -- which members of my Administration will discuss in more detail in the days ahead -- will help us achieve our three goals of reducing vulnerability, shifting from oil and natural gas to coal, and developing permanent energy sources.

I would like to mention briefly some of the other principles and provisions of our plan:

-- first, this is a comprehensive plan, which requires coordinated planning and activity. That makes it all the more essential that we work together to create a new Department of Energy;

-- second, we need better information about our supplies and use of energy. This plan will propose an independent information system that will provide the government with accurate, reliable data about energy reserves and production, emergency capability, and financial data for energy producers.

-- third, we must be sure that the energy business is subject to healthy, genuine competition, as other industries are. We will continue to study divestiture proposals. We must make it clear to everyone in this country that the people, through their government, are setting our energy policy -- and not the energy companies;

-- fourth, this coordinated national effort should help us increase the ties of cooperation between federal, state, and local governments;

--fifth, whenever we raise the price of energy to conserve it for the future, we must take steps to protect the poor from unreasonable burdens.

Two nights ago, I said that this difficult effort would be the moral equivalent of war. It will demand the best of us--our vision, our selflessness, our willingness to cooperate and bear burdens.

But we have met challenges before, and our nation has been the stronger for it. That is the responsibility we face together now--you in the Congress, the members of my administration, and all the people of our country. Let us begin.

#

Suggested Draft Language on International Energy Issues for President's
Energy Speech

The plan I have presented will enable us to meet effectively our domestic energy problems. It will also make a major contribution to overcoming the global energy challenge. But it cannot operate in isolation. We share a supply and price vulnerability with other consuming countries because energy has become a central element in the web of our international political, economic and security ties. Our own energy measures, complemented by similar actions of others, could bring about a significant movement toward equilibrium in the global energy market.

Major strides in energy cooperation among major consuming countries have already been taken. The International Energy Agency (IEA) has set in place an emergency sharing program for use in the event of another embargo, established a framework for long-term energy cooperation, and initiated a number of joint energy R&D projects. The industrialized countries should now move to expand further their energy cooperation, particularly in such areas as research and development and the expanded utilization of coal.

We also share broad common interests and responsibilities with the oil exporting countries. First, a growing global economy and open trading system is as fundamental to their economic future as it is to ours. Second, their production and pricing policies have a profound effect on the global economy. Third, some oil exporting countries have become major

participants in the international financial system, which both enhances their influence on world developments and gives them new responsibilities. Finally, we each have critical roles to ensure that the long-term transition from oil to other fuels occurs in a smooth and non-disruptive manner. The world will continue to need large volumes of their oil for some time to come. And for our part, we, as well as other industrialized countries, must move vigorously forward, as proposed in our Energy Plan, to increase the efficiency of energy use, accelerate the development of conventional and new energy supplies, and speed up the pace of energy R&D.

We must also gear our efforts to helping the oil-importing developing countries overcome their energy burdens. These countries have suffered most from the massive and abrupt oil price increases of recent years. Their energy problems pose a major constraint on their development prospects and are causing serious strains on the international financial system. They need, wherever possible, to develop their indigenous energy resources, and this requires technology and financial resources. These countries must themselves create a climate conducive to foreign investment to obtain this technology and financing but we are prepared to facilitate their efforts where appropriate and possible.